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**DIRECTORATE OF
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CONTENTS

Philippines: A student rally today at the US Embassy could take a violent turn. (Page 1)

Philippines: Manila has adopted a new floating exchange rate. (Page 2)

South Africa: The newest political party has charged the government with wiretapping. (Page 3)

Guatemala: The elections on 1 March could lead to a governmental crisis. (Page 4)

Guyana: The country is the first Caribbean member of the Commonwealth to become a republic. (Page 5)

Laos: No new action (Page 6)

Colombia-Cuba: Relations (Page 6)

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Philippines: A student rally today at the US Embassy in Manila could take a violent turn.

The protest is scheduled to focus on alleged official US connivance in helping American servicemen charged with offenses under Philippine law to evade prosecution by Philippine courts. Students have vowed to defy a ban on demonstrations after 5 PM, raising the possibility of a clash with the police.

Anti-American feeling has been further aroused by the alleged injury yesterday of a Filipino child by a car driven by an embassy staff member. The Manila press can also be expected to exploit the death yesterday of a Filipino who was killed by Clark Air Base security guards as he attempted to break into the base commissary.

Although the Marcos government encouraged last week's violence at the US Embassy, there is no evidence available that it is behind the current demonstrations or that it is not prepared to protect the embassy and US personnel.

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Philippines: Manila has adopted a new floating exchange rate for the peso in an effort to ease its balance-of-payments problems.

The value of the peso in terms of other currencies will be determined largely by free market forces and the exchange rate will decline substantially, perhaps by 50 percent. The only exception to the new floating exchange rate is the requirement that 80 percent of foreign earnings from major export commodities must still be sold to the Central Bank at the old rate. This requirement is intended to prevent exporters from making windfall profits from devaluation. As part of the exchange reform the government plans to abolish most import restrictions and controls on other current account transactions.

In the near term at least, devaluation will not benefit exports much since they consist overwhelmingly of primary products that are governed by world market prices. The main impact will be to increase the domestic price of imported goods. Manila hopes this will reduce imports and thus slow the outflow of its already scarce foreign exchange holdings. This, however, will depend largely on the government's willingness or ability to impose a strict austerity program aimed at limiting the expansion of domestic credit and dampening domestic demand.

The government has announced such plans, but it remains to be seen whether they will be fully implemented in view of the growing political problems and the likely outcries over higher prices for imported goods.

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South Africa: As the national election campaign enters its final months, South Africa's newest political party has received a great deal of publicity by charging the government with wiretapping and political surveillance.

Jaap Marais, deputy head of the ultrarightist Herstigte Nasionale Party (HNP), received in the mail a classified government document allegedly proving that South Africa's intelligence service was tapping the telephones of HNP leaders. Marais informed seven newspapers, but the police forbade them to print his statement, claiming that publication would be prejudicial to state security and a violation of the Official Secrets Act. A Cape Town justice has issued a temporary injunction prohibiting Marais from divulging the contents of the document, but Marais says he will fight the case in court.

In the past, South Africans have granted their government extraordinary powers to counter "enemies" of the state. Now, however, the HNP has raised the issue of these powers being turned against "respectable" Afrikaners solely for political reasons.

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The HNP can be counted on to make political capital from the government's heavy-handed tactics and from its embarrassment over the apparent leakage of security information.

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Guatemala: The elections on 1 March could lead to a governmental crisis.

An unsuccessful assassination attempt against Guatemala's chief electoral official this week could be the beginning of a series of attacks designed to upset electoral procedures.

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Although the governing Revolutionary Party (PR) appears to have the strength for a congressional victory and at least a plurality in the presidential contest, a big wave of terrorism before the elections or on election day could drastically alter the voting pattern. A particularly sensitive issue is the outcome in Guatemala City, which is traditionally unpredictable. If the government fails to get a strong plurality in the capital, where most of the politically aware elements reside, the mandate of the government's candidate is certain to be weakened.

Charges by both the rightist and leftist opposition parties of planned government fraud have been a principal issue in the campaign. Rightist presidential candidate Colonel Carlos Arana has made barely veiled threats to take over the government in the wake of a fraudulent PR victory.

If the elections are indecisive, they will be followed by an extremely unsettled period. If no candidate wins an absolute majority, the congress is to choose between the two candidates with the largest number of votes. A prolonged period of political maneuvering and instability after the balloting would increase the possibility of military intervention.

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Guyana: The country severed its ties with the British crown on 23 February and became the first Caribbean member of the Commonwealth to become a republic.

The change to republic status is more symbolic than substantive. An elected president will replace the governor-general as titular head of state and will be elected by parliament next month for a six-year term. Otherwise, the governmental structure will remain essentially the same.

Prime Minister Burnham has selected High Court Judge Arthur Chung as his party's presidential candidate. The election of the judge is ensured by the Burnham-controlled legislature. Chung, who is Chinese, is respected and politically neutral. His selection is an effort to avoid charges of racial bias.

Among the current problems the government faces is the concern in the business community over Burnham's new economic policies. The heavier burdens imposed on business by the 1970 budget have reinforced these fears.

The long-standing border dispute with Venezuela adds to Burnham's problems. The recent border incidents have hampered negotiations aimed at settling the dispute.

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Laos: There has been no new ground action near the Plaine des Jarres. The respite in military activity is probably a reflection of Communist efforts to strengthen their hold over newly won positions and to resupply front-line troops. Meanwhile, General Vang Pao is moving additional troops into position south of the Plaine in anticipation of a Communist thrust against the government's new defense line. The Meo leader's determination to defend his headquarters at Long Tieng apparently has been given an added boost by a recent statement of support for his efforts by local Meo chieftains

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Colombia-Cuba: President Lleras recently affirmed that his country would not be associated with Chilean efforts to re-integrate Cuba into the inter-American system. Lleras declared that Cuba would first have to change its attitude by relinquishing support for guerrilla movements and ceasing to meddle in the domestic affairs of other Latin American countries. He added that Colombia had spent "major sums to maintain public order because of the Cubans." In a later conversation with the US ambassador, Foreign Minister Lopez added that at present there would be no Colombian move to normalize relations with Cuba because Castro had recently and repeatedly rejected the notion that Cuba wanted to rejoin the hemispheric community.

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